



# Indo Pacific

RESOURCES LTD.

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# Indo Pacific

RESOURCES LTD.

## **Corporate Profile**

*Indo Pacific Resources Ltd. is a mining exploration and development company focused on Papua New Guinea, a nation renowned for its world class gold and copper mines. More than 7,000 square kilometres are held under 14 exploration licenses. These are diversified to take in a wide range of opportunities for the discovery of medium to large gold deposits and the development of near term cash flow. Some of the licenses also have major copper potential.*

*Indo Pacific's shares are listed and trade on The Alberta Stock Exchange. Symbol: IPF*

## **Annual Meeting**

*The Annual Meeting of shareholders will be held October 24th, 1996 at 3:00 pm at the offices of Burnet, Duckworth & Palmer, Ste. 1400, 350 - 7th Avenue S.W., Calgary, Alberta.*





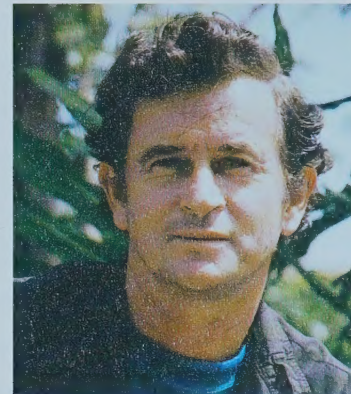
Wingspear Business Reference Room  
University of Alberta  
1-18 Business Building  
Edmonton, Alberta T6G 2R6

## Directors Report To The Shareholders

This is the first annual report of a reorganized and revitalized company. Much progress has been achieved in the brief period since August 1995 when a new management group initiated programs to build Indo Pacific Resources Ltd. into a significant participant in the world mining industry by developing an asset base for the Company through the discovery and development of mineral deposits, mainly gold and copper. With its successful launching and follow-up financing completed, the Company a year later is entering a particularly exciting stage of its development.

After a period of preparation including an increase in its professional staff and expansion of its Port Moresby administrative base, Indo Pacific has accelerated exploration activity in the five original license areas supported by a \$5.5 million financing in March of 1996, subsequent to the new December 31 fiscal year end. In particular, over 1,000 metres of diamond drilling has been completed on the Company's first drill prospect in West New Britain, drilling is underway on the second drill prospect at Lake Kopiago and a bulldozer is being barged onto the third drill prospect at Ambunti to complete deep cross cut trenching and prepare drill pads.

As required under the Papua New Guinea Mining Act, applications were made by Indo Pacific for a term extension of 2 years for the five original exploration licenses from May 30, 1996, with a reduction in total area to 2,956 square kilometres containing all the original and newly defined areas of interest. Title documents for the extended exploration licenses are with the Minister of Mines and Petroleum for approval and signature.



Peter Macnab  
President

At the same time as exploration activity was accelerated in the Company's initial five license areas, Indo Pacific moved to strengthen its position in the mineral exploration sector in Papua New Guinea. With a portion of the funds raised in March dedicated to acquiring additional projects, in June 1996 the Company entered into an agreement to purchase an undivided 100% interest in six highly prospective advanced term exploration licenses in Papua New Guinea totaling 1,426 square kilometres in area from Porgera partner Highlands Gold Limited and has subsequently joint ventured with local explorer Romar Investments Pty Ltd. to earn an 80% interest in another exploration license of 658 square kilometres. These agreements are awaiting Ministerial approval before being implemented. Drill targets will be very quickly generated in at least two prospects within the new areas, namely Dawa Dawa and Bowutu Mountains.



In addition to the above the Company is at present acquiring 50% of the shares of Pima Mining (PNG) Pty Ltd. by completing an approved exploration program in Pima's existing exploration license of 1,151 square kilometres. Once the share acquisition is complete, Indo Pacific and Pima's Australian parent company will jointly fund ongoing exploration in this license area and in a second exploration license of 1,073 square kilometres which is under application.

When all necessary approvals are in place the Company will have assembled 14 well advanced exploration licenses taking in more than 7,000 square kilometres. Most licenses include more than one area of known mineralization with many enclosing two or more already identified prospects. All areas have excellent potential for gold with 5 at or near drilling, and several include copper as a major target. Further drill targets can be expected to be quickly identified by aggressive exploration programs in other licenses areas. Indo Pacific will be well placed with one of the largest number of highly prospective areas to explore of any group active in Papua New Guinea.

In the original group of five exploration licenses, progress has been made in all areas. This is particularly so in the three properties containing gold prospects with indicated drill targets, with the Kavola Prospect in the West New Britain license the first to be drilled. Bulldozer trenching and a first stage of drilling, comprising seven diamond drill holes totalling 1,097 metres, has been completed on the prospect. Four areas of epithermal gold mineralization were drilled out of a total of six identified within the large hydrothermal alteration system flanking the eroded Pliocene Mt. Penck stratovolcano, with promising results obtained from the first and fourth areas, while results from the second area were inconclusive. Gold, with strongly anomalous arsenic, is closely associated with one phase of structurally controlled argillic alteration within the hydrothermal system, and exploration is ongoing on the prospect with the next stage of drilling planned to follow on from petrographic studies of drill core and detailed structural analysis of the region.

In the Lake Kopiago area of the Lake Kopiago-Strickland Gorge exploration license, an Induced Polarization geophysical survey was completed to properly locate and define in more detail skarn and related calcareous replacement gold and base metal mineralized drill targets indicated in 1992 by Kennecott in a porphyry contact zone. Although the present interpretation is not exactly as outlined by Kennecott, targets have been confirmed and extensive diamond drilling is underway. On September 12th the first drill hole was at 163 metres on the way to a target indicated by geophysics at 250 metres.





On the Yerikai Prospect in the Ambunti exploration license area, geological mapping and soil sampling have been completed in preparation for bulldozer trenching to be undertaken as soon as the bulldozer, at present being mobilized, is on site. A diamond drilling program will follow, to test medium to high grade gold in quartz vein/breccia. This target holds the promise of exciting results and is highly regarded by the Company as a potential source of rapid cash flow.

The drill targets selected at this stage, with successful results, hold out a potential for early development of small to medium-size gold mines. They are well located in relation to transportation. Because of tropical weathering, surface and near surface gold deposits are readily mined and treated to recover the contained gold.

Development of a small profitable producing mine would provide a cash flow to finance more intense exploration for the kind of large, world class deposits which have made Papua New Guinea one of the most exciting areas in world mining today.

That the potential of Papua New Guinea is attractive to investors is confirmed by the ability of Indo Pacific to attract capital. A total of \$6.5 million has been obtained through sale of shares. In the most recent transaction, \$5.5 million was raised by the sale of 4 million common shares and one million warrants to purchase additional shares at \$2 each up to the December 5th, 1996 expiry date. If the warrants are exercised, the Company will receive an additional \$2 million.

Indo Pacific's has also been approached by numerous mining companies, including three majors, who have expressed a keen interest in joint venturing one or more of its properties. I expect to be in a position to report to you on the progress of our negotiations shortly.

Indo Pacific is well launched with a sound base of people, projects and finances. In the immediate period ahead shareholders can expect increased drilling activity, an increased pace of exploration to identify more drill targets, the announcement of several joint ventures and the addition of more projects of merit to our portfolio.

We express our appreciation to all employees, our associates in Papua New Guinea and Canada, and the many others who continue to contribute to the long-term growth of the Company.

On Behalf of the Board of Directors

R. Peter Macnab  
President

Port Moresby, Papua New Guinea

# Review of Projects



**Major Gold and Copper deposits and prospects of Papua New Guinea**





## **Papua New Guinea**

This island nation, which includes the eastern portion of New Guinea and neighboring islands to the east and northeast, is an independent, democratic nation with a multi-party parliamentary system as well as a legal system based on English common law. It has the right geology, politics and legislative conditions to encourage the development and operation of mines.

The country's high prospectivity has been established by its success in recent years in building a major mining industry founded on large gold and copper mines developed and operated by some of the world's largest mining companies.

Principal targets of the mining industry are large epithermal gold and porphyry copper-gold deposits related to volcanic and intrusive activity resulting over the past 15 million years from the on going collision of the Australian and Pacific Ocean crustal plates along 1,800 kilometres of the "Pacific Rim of Fire".

Under 1992 legislation, exploration licenses are granted for two years and are renewable for further two year terms with a size reduction of at least 50% for each new term. A specified minimum level of work must be carried out to retain a license. The commitments for the first two years of the five original Indo Pacific licenses totaled \$1.1 million and this expenditure has been satisfied. The government reserves the right to participate in development as an equity partner

for up to a 30% participating interest by paying the equivalent share of expenditure, at any time until the development leases are granted. There is a 2% royalty on production.

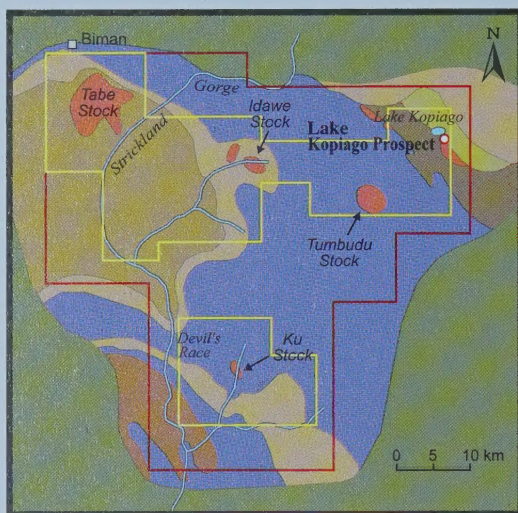
Indo Pacific has selected licenses which meet two key conditions; they are known to have evidence of good mineralization as a result of prior exploration; and they are readily accessible by road or water. Good accessibility facilitates exploration, and increases the range of deposits which can be economically developed by reducing or altogether eliminating much of the expensive infrastructure required to construct mines in remote regions. The majority of the additional projects over which Indo Pacific is obtaining tenure or joint venture rights meet similar criteria, and add greatly to the Company's prospects for developing an early cash flow.



## STRICKLAND GORGE / LAKE KOPIAGO

Geological Map E.L. 1084

- Quaternary alluvium - sand, gravel, mud, peat
- Pliocene conglomerate
- Upper Miocene to Pleistocene intermediate intrusives
- Mid. to Upper Miocene calc. mudstone and siltstone
- Upper Eocene to Mid. Miocene limestone
- Upper Cretaceous mudstone, siltstone and sandstone
- Jurassic mudstone, siltstone and sandstone
- Area Relinquished
- Area Retained



## Strickland Gorge / Lake Kopiago

This license of 2,336 square kilometres is undergoing reduction to 1,080 square kilometres subsequent to the end of its first term on May 29th, 1996. This reduction will become effective with the signing of the license title document by the Minister of Mining and Petroleum for its second two year term which is expected in September 1996. The reduction in size was achieved by relinquishing largely unprospective limestone and siltstone terrain while retaining all of the original intrusive related target areas.

Selected drill targets lie south of the lake and are the result mainly of soil geochemical, magnetic and Induced Polarization surveys by Kennecott in the early 1990's. Indo

Pacific's exploration teams have relocated the proposed Kennecott drill sites and a new detailed Induced Polarization survey was conducted to confirm and better define these targets. Drilling commenced in early September with the first

target, identified as a blind geophysical anomaly, expected to be intersected at approximately 250 metres. At last report the drill was at 163 metres, and encountering pyritic intrusives. This area has potential for the discovery of significant precious and base metal bearing carbonate replacement and skarn mineralization and buried porphyry style copper-gold mineralization.

In the Bulago River headwaters 30 kilometres to the west, anomalous gold occurs over an area of 10 square kilometres related to a large system of weak porphyry copper mineralization. Gold values are strongest, with some high to very high grades up to 23 ozs/t, associated with sulfides in narrow

breccia zones and thin carbonate replacement beds in calcareous shale country rock, peripheral to the copper mineralized intrusives. Systematic exploration of this low tonnage high grade gold potential will commence in September 1996.

This license area is especially attractive because of its geological environment similar to nearby large deposits. The Ok Tedi copper-gold mine to the west produces 200,000 tonnes of copper and 350,000 ounces of gold per year and the Porgera gold mine to the east produces 1,000,000 ounces of gold per year. The geology of the area includes gently folded Mesozoic age marine geosynclinal sedimentary rocks overlain by thick sub-horizontal mid-Tertiary shelf limestone and siltstone units, intruded by upper Tertiary to Pleistocene monzonites and diorites which introduced the mineralization.





were tested, with encouraging results from the first and fourth zones and inconclusive results from the second.

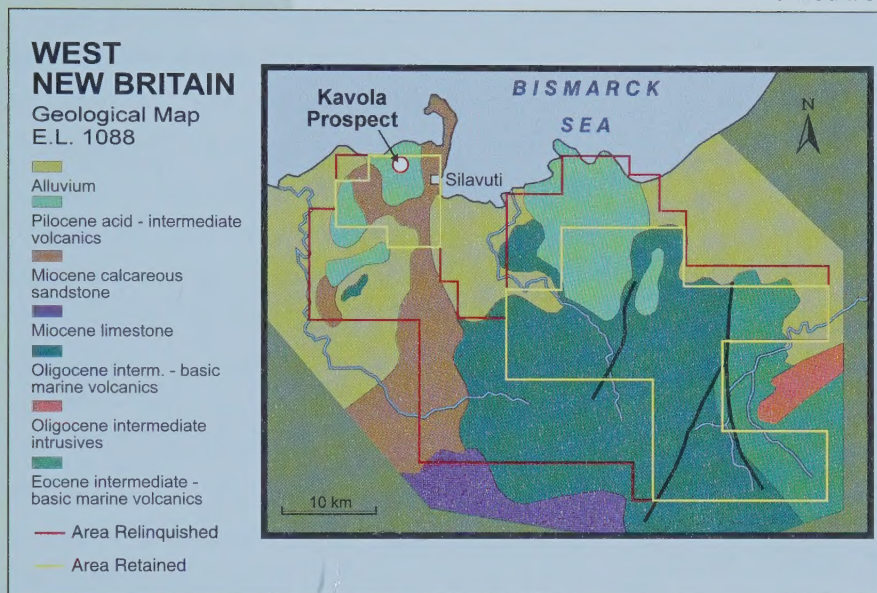
Drill holes 1 and 2 were steeply angled holes drilled from opposite sides of the Koibua Zone, a strong argillized and gold mineralized fracture 15 to 25 metres wide in andesites and dacites cutting obliquely across Koibua ridge which was bulldozer benched and drilled by shallow reverse circulation drilling in 1989 by BHP and interpreted by it as containing a section of possibly 10m true width averaging 3.7 g/t gold. Indo Pacific's two holes passed at different depths under the area of mineralization tested by the BHP reverse circulation drilling.

Assay results from these first two holes confirm that the Koibua Zone has potential economic significance, with gold grades continuing to depth.

Grades broadly reflect the intensity of argillic

alteration within the zone. Pervasive weak argillic alteration with fine sulphides hosts gold grades, mostly in the 0.25 g/t to 1.0 g/t range, while stronger argillic alteration about fractures with increased sulphides and particularly where minor epithermal quartz veining is present, return higher gold grades with a highest value for the holes of 7.8 g/t gold over 1 metre. The main mineralized zone was intersected deep in drill hole 1, with a 39 metre interval representing a true width of approximately 20 metres averaging 1.2 g/t gold. Within this interval, 10 metres averaged 2.6 g/t gold, including a 3 meter intersection of 3.8 g/t gold. In drill hole 2 the main mineralized zone was intersected over 38 metres averaging 1.7 g/t gold, representing a true width of about 21 metres. Best assays included 5 metres at 5.45 g/t gold and 4 metres at 3.6 g/t gold.

The second target drilled, the Peni Creek Zone, lies 800 metres south-southwest of the Koibua Zone. Drill holes 3 and 4 were drilled as scissor holes at the north-western end of the zone and drill hole 5 was drilled 165 metres to the southeast, near the southeastern end of the



## West New Britain

This 1,147 square kilometer concession, located on the island of New Britain, is in the process of being reduced to 568 square kilometres in area as the license moves into its second term. It is the first of the Company's license areas to be drilled.

The initial main target is the Kavola Prospect where extensive exploration by BHP in the late 1980's established the presence of gold mineralization peripheral to an eroded Pliocene volcanic centre. In the Kavola Prospect Indo Pacific has identified six zones within an area 1,100 metres by 800 metres as having possible economic potential, by a program of detailed surface work including bulldozer road cuts and benches. This program was conducted prior to, and concurrent with, the launching of the drill program.

The first program of seven diamond drill holes totaling 1,097 metres was completed in mid June of 1996. Four of the six gold mineralized zones identified by Indo Pacific





zone. Although sited on opposite sides of a creek exposure assaying 20 metres at 4.7 g/t gold, neither drill hole 3 nor 4 intersected significant gold mineralization, possibly because of the intervention of a northerly trending fault dipping under the mineralized surface exposure and intersected in hole 4. Assay results from drill hole 5 show coherent weak gold mineralization down the hole, with approximately 1/3 of the results lying between 0.2 g/t and a maximum of 1.6 g/t gold over 2 metre intervals. These results are considered to conform with the interpretation that the Peni Creek mineralized zone weakens and fades out gradually at its southeastern end. The Peni Creek Zone is now interpreted as a mineralized conduit and the strongest, central sections, have yet to be drill tested.

The third target drilled was the Kavola Junction Zone, 450 metres northeast of the Peni Creek Zone and 400 metres south of the Koibua Zone. Hole 6 was drilled to 287 metres to test at shallow depth surface values of up to 5 g/t gold in channels up to 5 metres long and also to test at greater depth the interpretation that this mineralization is located in a near-vertical feeder zone 150 metres by 100 metres at the surface but having considerable vertical extent. Although the drill hole contained extensive intervals of alteration and pyritization, and finished in strongly pyritized and silicified volcanics, assay values were low throughout.

The fourth drill hole tested the Kavola East Zone which cuts across a major ridge in the Kavola Creek eastern headwaters 250 metres southeast of the Kavola Junction Zone. BHP reported high gold values in channel samples collected from a hand-dug trench, including 2 metres at 39.0 g/t, 8 metres at 6.1 g/t and 10 metres at 3.15 g/t, as well as high arsenic-in-soil values from a limited soil sampling program. BHP was unable to include the target in its reverse circulation drilling program because it was unable to gain bulldozer access to the area for a crawler mounted drill rig.

Due to heavy rains Indo Pacific was also not successful in gaining bulldozer access to the area. Instead the Company carried out grid soil sampling over an extended area based on the BHP results. This work returned the highest surface gold values of the program, with results defining a major strong gold-in-soil anomaly 250 metres long extending in a northeast-southwest direction, and up to 100 metres wide in the southwest. The zone is outlined by a 0.25 ppm gold-in-soil contour, enclosing at the southwestern end a 1.0 ppm gold-in-soil contour 150 metres long and up to 50 metres wide containing eight values between 1.3 ppm and 5.75 ppm gold-in-soil. Sampling of a number of hillside exposures and short trenches hand-dug by Indo Pacific in and near the high gold-in-soil values, returned gold values of 15 metres at 12.0 g/t (including 5 metres at 20.2 g/t), 21 metres at 2.4 g/t, 15 metres at 3.9 g/t, 14 metres at 4.9 g/t and 10 metres at 3.75 g/t. Mineralization is mapped as pervasively argillically altered volcanics with some moderate to strong silicification including quartz lenses and pods.

Hole 7 was drilled to 129 metres passing under the southwestern end of the anomaly defined by Indo Pacific. Gold mineralization, with directly proportionate anomalous arsenic values, was associated with all zones of argillic alteration intersected in this drill hole and totalled approximately 70 metres averaging 1.15 g/t gold. Between 20 and 40 metres down-hole, gold values averaged 2.2 g/t including 6 metres at 6.1 g/t gold within which a 1 metre section, containing abundant fine black sulphides, returned the highest gold and arsenic values to date in the drill program of 23.2 g/t gold and 1.9% arsenic. Mineralization may continue beyond the end of the drill hole.

The geometry of the Kavola East Zone is not yet fully understood and further extensive trenching and geological mapping will be conducted before continuing the drill program. This mineralized zone, and further new zones closer to Mt. Penck which are presently being outlined by soil sampling, hold significant promise.



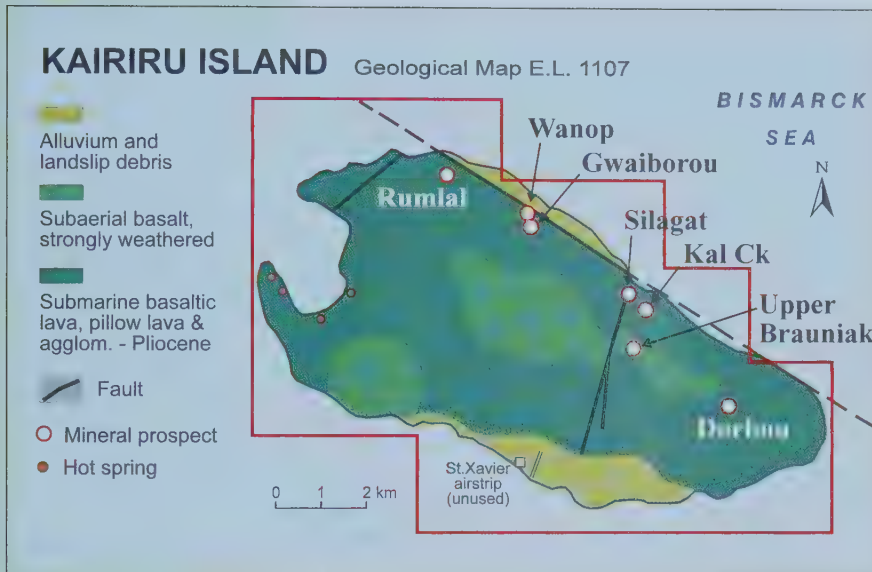
The main mineralization on the island is epithermal gold in quartz vein systems disjointed by later fracturing. Grades in individual quartz float samples vary up to 2.3 oz/t. Earlier exploration, including trenching by Pacific Arc

Exploration N.L., revealed quartz veining and breccias in structures generally less than one metre wide but attaining greater widths in a number of identified prospects, and lengths possibly up to 700 metres. In 1987 a total of 12 diamond drill holes were completed by Pacific Arc on three prospects, totaling 1,463 metres with inconclusive results.

Exploration by Indo Pacific at the eastern end of the island has extended the known mineralization defining two anomalous areas to be followed up in late 1996. Best outcrop results obtained were 12.1 g/t gold across a 10 centimetre wide quartz-pyrite vein in propylitically altered volcanics and 5.0 g/t gold across a 2 metre wide quartz healed fault breccia zone. The best float value was 13.4 g/t gold.

Consideration is being given to bulldozing onto several prospects to give access and to penetrate the veneer of scree covering some key areas.

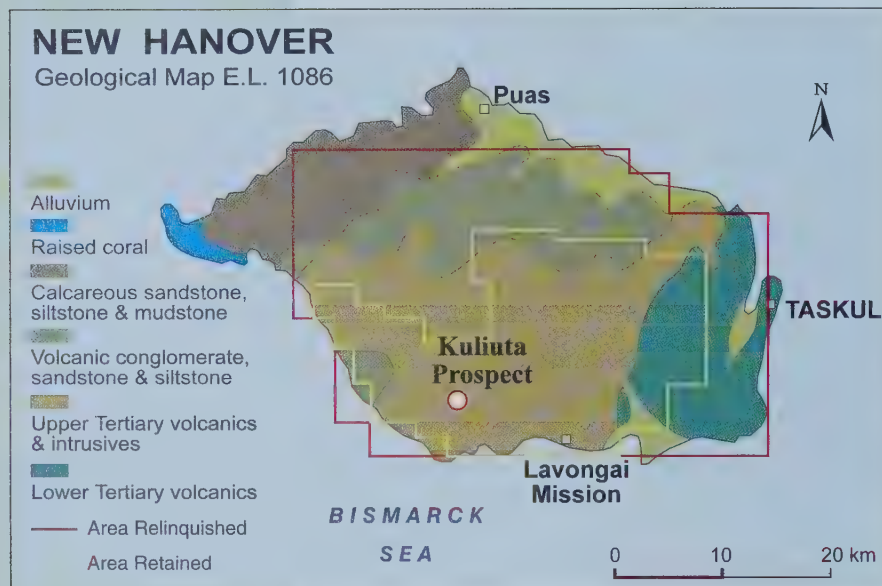
The island continues to present good high grade quartz-gold vein prospects. Logistics for exploration and development are very good.



## Kairiru Island

This license of 88 square kilometres covers all of Kairiru Island, which is located 10 kilometres off the northwest New Guinea mainland. As the license is less than 100 square kilometres in area no size reduction was required.

Kairiru Island is comprised of the uplifted, partly eroded remains of at least two coalesced Pliocene submarine basaltic volcano's. Younger, probably subareal, volcanics cap the central ridge system. Small intrusives are present in the older volcanics on the northeastern side of the island, including some diorite dykes with associated copper mineralization.



## New Hanover

This 1,103 square kilometre license is being reduced to 560 square kilometres in the second term. The retained area largely occupies the southern fall of the axial east-west drainage divide of New Hanover Island. Past exploration has established the potential, particularly for large tonnage bulk low grade epithermal gold mineralization, with some areas exhibiting good potential for smaller quartz vein targets.

Indo Pacific was not able to mount a full scale exploration program in the license during the first term because of intermittent refusal of access to key areas by a small group of older landowners. This delay appears to have been overcome and a major exploration effort is being planned.

A previously unknown gold occurrence was detected when gold colours were panned in streams flowing to the coast immediately west of Lavongai Mission, with a best dish concentrate result of 63 ppm gold. No significant gold-in-soil anomalies were detected in an initial soil survey, but weathering is very deep and an orientation survey needs to be conducted before continuing with soil sampling.

The Company is considering the use of airborne geophysics and remote sensing interpretation to better define the large systems of alteration and mineralization present in the upper Tertiary volcanics and co-magmatic intrusives of the southern drainage of the island.



54 g/t gold (re-sample assaying 47.6 g/t gold) while the 8 metres of wallrock on each side of the vein assayed 0.7 g/t gold and 0.45 g/t gold. Visible gold is common in float. Wide quartz vein/breccia zones are indicated in trenches (for

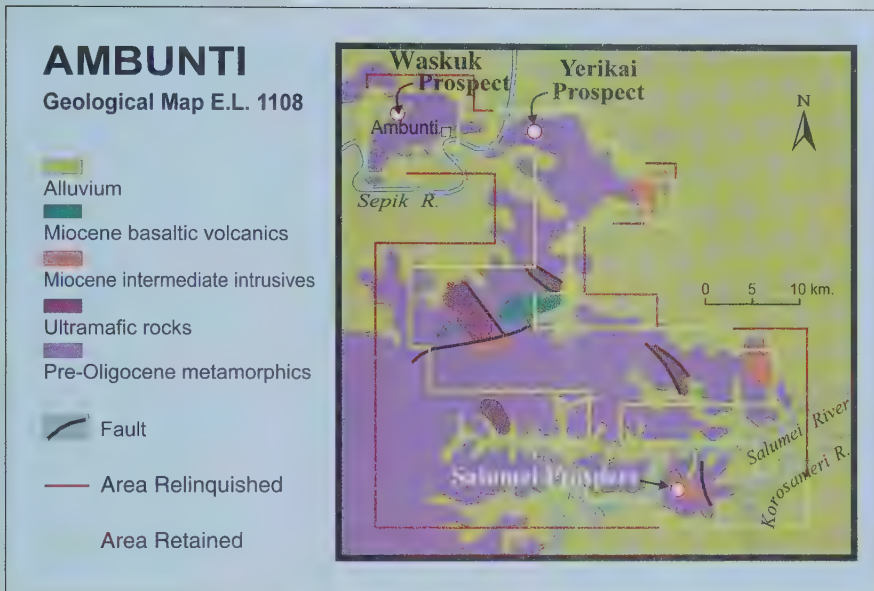
example 5.1 g/t gold over a 26 metre width reported by Pacific Arc Explorations N.L.), and these will be properly re-sampled after deeper exposure by bulldozer cross-cuts. The Company has purchased a second-hand bulldozer which is being barged to site up the Sepik River as no suitable machines were available for hire. Access roads and cross-cuts of the mineralized structures will be completed before preparing drill sites, to be followed immediately by scout diamond drilling.

On the Salumei Prospect extensive geological mapping and geochemical prospecting including soil sampling has been conducted over a small

area without locating a focus for the gold mineralization.

A large part of the area shedding alluvial gold is yet to be prospected in detail. An effort is now being made to accelerate this with a major regional survey and the Company plans a significant group effort on the prospect in the near future.

Immediately west of Ambunti, in the northwest corner of the license area, gold mineralization has been discovered associated both with mineralized quartz veining and intermediate intrusives in the metamorphics. High stream sediment results up to 4.7 ppm gold (with an associated dish concentrate values of 1,233 ppm gold) and rock chip values up to 8.2 g/t gold occur over an area of several square kilometres called the Waskuk Prospect. The area is "along strike" from the Yerikai Prospect and has a similar high arsenic geochemical signature. This mineralization was previously unknown.



## Ambunti

This license of 1,341 square kilometres is being reduced to 568 square kilometres in the second term. A major exploration effort was mounted within the license area throughout the first term, with a third target, the Waskuk Prospect, being added to the already known Yerikai and Salumei Prospects.

The Yerikai Prospect continues to offer the promise of an exciting drill program, with extensive geological mapping, rock chip and soil sampling continuing to support the interpretation of high grade gold in major quartz vein/breccia zones in sheared metamorphics. Visible gold in quartz has been found in outcrop away from the main area, with a 20 centimetre wide quartz-pyrite vein with visible gold assaying

## HENGANOFI

Geological Map E.L. 916

Pliocene Porphyry

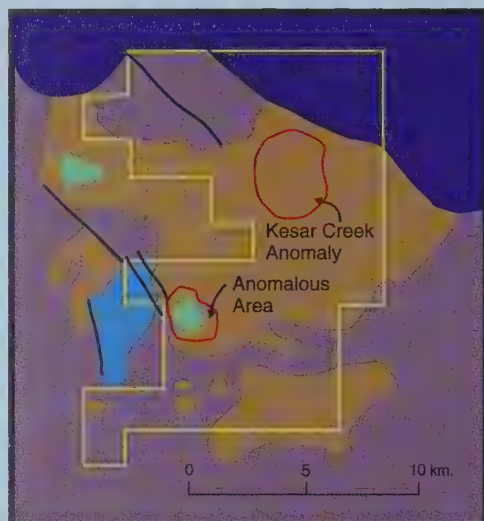
Early to Mid Miocene  
Intrusive Complex

Oligocene to Lower Miocene  
Sedimentary Rocks

Gneissic Granite

Metamorphics

Fault



## Henganofi

With an area of 161 square kilometres, this license lies on the northern edge of the New Guinea Mobile Belt and is underlain by various phases of a Miocene dioritic complex

intruding Mesozoic metamorphic rocks. Younger felsic quartz-eye porphyries have introduced extensive areas of argillic alteration and quartz vein stockworks with associated gold. Assays from quartz vein outcrop have recorded up to 30 g/t gold, silver values are commonly anomalous up to 240 g/t, and significant copper, lead and zinc occur in some samples. The distribution of precious and base metal values point to a possible hidden porphyry copper target.

Aeromagnetic coverage highlights many anomalous zones, and requires re-assessment using computer enhanced software interpretation.

## Dawa Dawa

This license of 101 square kilometres has excellent access

through Milne Bay. It includes a historic small-scale underground copper-gold mine and other smaller scale workings and was also the focus of alluvial gold and platinum mining in the early part of the twentieth century. It is underlain by Eocene sea-floor basalts with minor intercalated sandstone, chert and limestone, intruded by mid-Tertiary gabbro and syenite.

Mineralization identified in the license includes mesothermal quartz veins with base metals sulfides associated with the intrusive and containing high gold, and gold-copper skarns in limestone lenses near gabbro contacts. Previous trenching returned many medium to high grade gold results over

significant distances, up to 30 metres of 9.0 g/t gold.

## DAWA DAWA

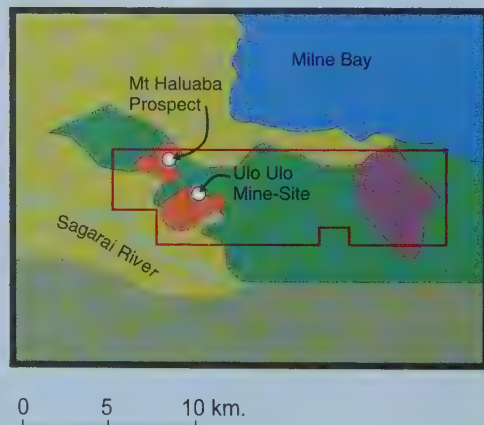
Geological Map E.L. 958

Eocene Sea Floor  
Basalts/some Calc Sediments

Gabbro, Monzonite

Syenite, Diorite, some Dunite

Alluvials



The area is highly regarded for a potential small high-grade mine and the Company plans an early drill programme.



## MIDDLE WARIA

Geological Map E.L. 987

- Pre-Eocene  
Sea Floor Andesites ("Ophiolites")
- Eocene  
Tonalite Intrusives
- Pliocene  
Sedimentary Rocks



## Middle Waria

Located within the ophiolite zone of the Papuan Ultramafic Belt close to the coast, this 107 square kilometre area is underlain by Eocene sea-floor volcanics intruded by co-

magmatic tonalite stocks which have formed several large alteration zones with anomalous gold geochemistry including rock float results up to 13 g/t gold.

The area is prospective for mesothermal bonanza style quartz-base metal sulfide-gold veins peripheral to porphyry copper style mineralization, and epithermal banded quartz-gold veins associated with argillic alteration assemblages.

## Bowutu Mountains

This highly prospective area lies on the coast straddling the boundary between the ophiolite and gabbro zones of the Papuan Ultramafic Belt, and is underlain by andesitic sea floor volcanics in the northeast passing

through sea-floor dolerites into gabbros in the southwest, all intruded by large multiple-phase stocks of tonalite with hydrothermal alteration and gold mineralization associated with younger porphyry phases.

Previous exploration outlined three main prospects within the license area, the Du River Prospect comprising high-grade mesothermal quartz-arsenopyrite-gold veins in gabbros, the Kui copper anomaly in sea-floor dolerites and the Simboma gold anomaly comprising epithermal quartz-gold veins in sea-floor andesites.

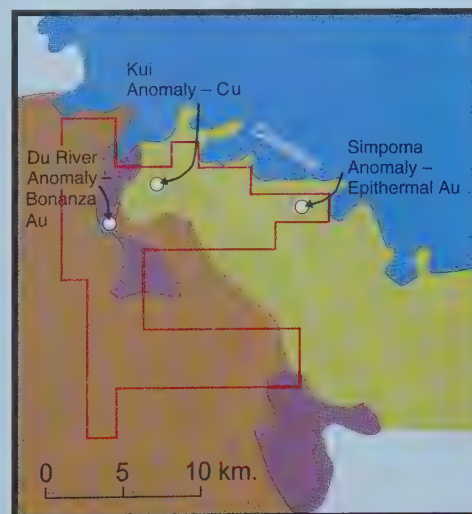
In the Du River area, bonanza gold grades in mesothermal vein float occur over several square

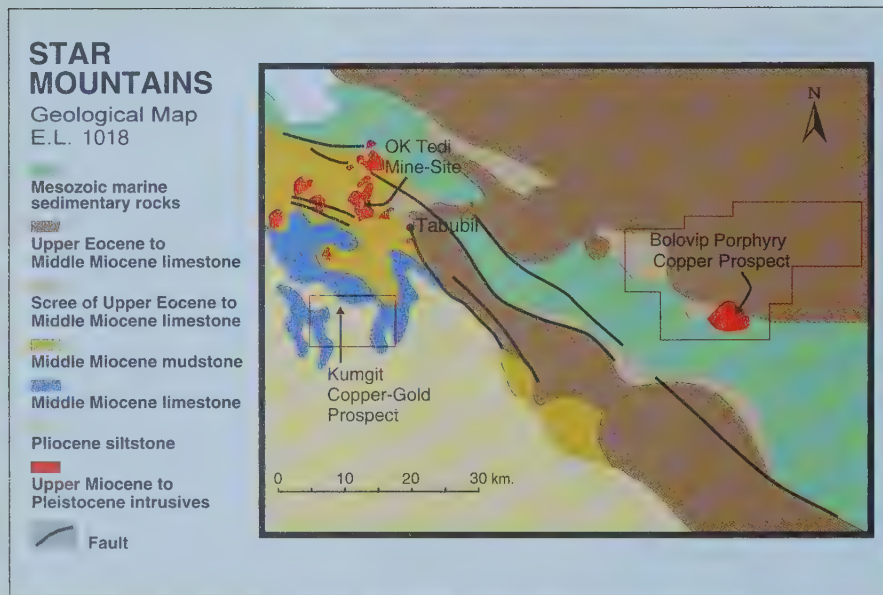
kilometres, with assays up to 10 ounces per tonne, accompanied by silver assays up to 25 ounces per tonne. The Company will be looking for early drill targets in this area.

## BOWUTU MOUNTAINS

Geological Map E.L. 1008

- Pre Eocene  
"Papuan Ultramafic Belt"
- Gabbro
- Doleritic to Andesitic  
Sea Floor Volcanics
- Eocene  
Tonalite





## Star Mountains

After reductions in size accompanying two extensions in term, this license of 615 square kilometres is now located in two separate areas.

The Tabubil area of 170 square kilometres is centered 25 kilometres south of the Ok Tedi minesite and lies at the southern end of a major transfer structure focusing mineralized intrusive activity along its trace, including the porphyry copper-gold mine at Ok Tedi (which produces 200,000 tonnes of copper and 350,000 ounces of gold annually). The area is underlain by a thrust sequence of

Mesozoic geosynclinal and Tertiary shelf sedimentary rocks including siltstones and limestones, and an area of intrusives with related replacement and porphyry copper-gold style mineralization. Gold values up to 8 g/t gold are recorded in

pyritic silicified breccia. Although the indications of porphyry copper mineralization are only relatively weak, they are widespread and the occurrence is in an ideal location for a buried porphyry copper-gold deposit.

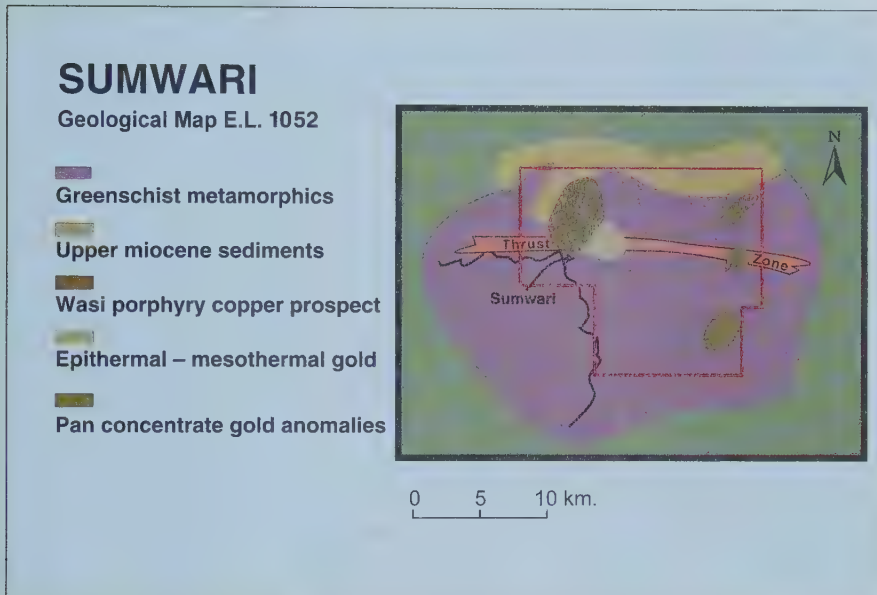
The Bolovip area, encompassing 445 square kilometres, is centered 60 kilometres to the east of the Tabubil area and includes widely spread, weakly copper-gold mineralized prospects associated with acidic phases of a large Pliocene-Pleistocene intrusive complex. Results of the limited fieldwork completed to date do not adequately account for the good gold dish prospects which can be panned in a

number of rivers within the region, which remains highly prospective.

Follow up in both areas will include airborne magnetics and radiometrics.



undergoing feasibility studies for development. It is the scene of minor on-going gold rushes which started three years ago following the discovery by local villagers of good grades of coarse alluvial gold in perched terrace gravels.



The area is underlain by Mesozoic to lower Tertiary metasediments and metamorphics which are dislocated by a major east-west thrust zone and intruded by multi-phase diorite porphyries. A weak porphyry copper-gold system over an area of 3.5 kilometres by 1.5 kilometres was outlined and drilled by U.S. Steel in the early 1970's with the best looking core being assayed for copper but not for gold. Highest reported copper grades were 0.15% to 0.92% over 4 metres in massive magnetite-sulfide skarn. Subsequent exploration has shown widespread gold to be associated with the mineralization and has identified patches of higher grades and some peripheral mesothermal base metal sulfide-gold veins and skarn.

### Sumwari







This 254 square kilometre license, which straddles the Leonard Schultz Thrust Zone on the northern edge of the central cordillera of New Guinea, falls within the same geologic environment as (and is 65 kilometres to the east of) the giant Frieda River porphyry copper prospect (850 million tonnes at 0.5% copper) and related Nena massive sulfide deposit (18 million tonnes at 0.1% copper and 1.4 g/t gold, plus 51 million tonnes at 2.2% copper and 0.6 g/t gold), which are now

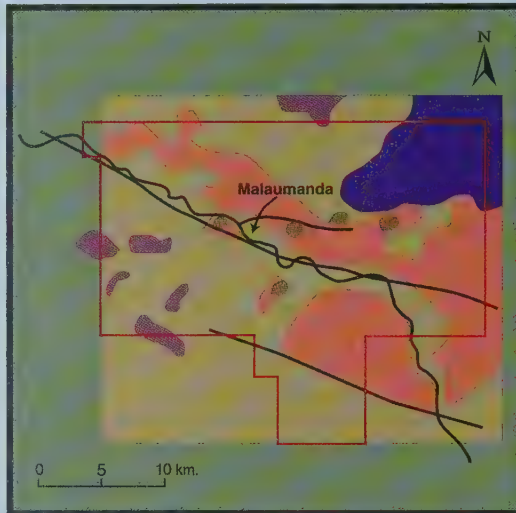
Other identified mineralization in the license includes epithermal quartz-sulfide-gold mineralization related to the thrust with rock float assaying up to 17.6 g/t gold, 2.75 ozs/t silver and 1.4% copper, which is probably the source of the gold now being worked in the alluvials and several other areas of significant gold stream geochemistry.

## JOINT VENTURE AREAS

### MALAUMANDA

Geological Map E.L. 1053

-  Mesozoic metamorphics
-  Miocene intrusives
-  Ultramafic intrusives
-  Upper miocene conglomerate
-  Fault
-  Gold Anomalies



### *Malaumanda*

This license of 666 square kilometres lies within the New Guinea Mobile Belt in the northern foothills of the Central Cordillera, 25 kilometres south of the Salumei Prospect in the Company's Ambunti license area. The Company has the right to earn an 80% undivided interest in the license, which is held by Romar Investments Pty Ltd. of Papua New Guinea.

The license is underlain by large areas of batholithic Miocene granodiorites and diorites intruding Mesozoic geosynclinal sedimentary rocks. Mineralization is concentrated in a graben up to 3 kilometres wide and 10

kilometres long, in quartz veins and in areas of quartz vein stockworks in the intrusives. Some occurrences are related to argillic alteration which varies from structurally controlled to pervasive and may be accompanied by silicification.

Four separate large areas of mineralization within this graben contain highly anomalous gold in stream sediments, pan concentrates and float rock samples. A number of stream sediment values higher than 1 ppm gold have been recorded including a highest value of 11.5 ppm from a sample containing visible gold. Pan concentrate values exceeding 1,000 ppm have been recorded.

The highest gold value recorded in rock float is 1.8 oz/t along with 16.9 oz/t silver. A limited amount of follow up ridge-and-spur soil sampling outlined several significant areas of anomalous gold-in-soil with values up to several parts per million.

A fifth large gold mineralization area lies south of the graben.

The nature of the abundant gold in pan concentrates suggests that much of it is secondary in origin underlining the high prospectivity of the license for leached cap and weathering zone gold deposits overlying primary mineralization. The Company believes that the license has the potential to host deposits in excess of 1 million ounces of gold.

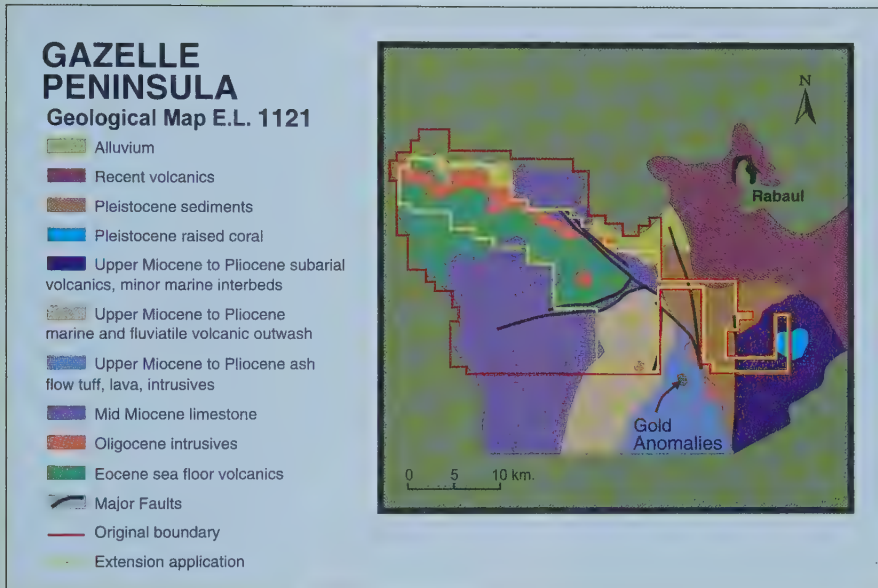


The area is prospective for intrusive related gold and copper in the northwest where Eocene sea-floor volcanics with some calcareous interbeds are strongly intruded by Oligocene diorites and porphyry differentiates. The southeast portion of the license holds promise for epithermal gold related to hydrothermal activity in Miocene to Recent volcanics and volcanic outwash material. Over 100,000 ounces

of gold have been proven in epithermal quartz veins at Wild Dog adjacent to the central part of the license. A part of the Wild Dog resource is easily accessible oxide ore and is at present under development.

Small magnetite / hematite skarns with some gold and copper adjacent to intrusives on the northwest coast of the peninsula have been explored in the past, including limited drilling for iron ore 45 years ago. Mineralization occurs also in quartz veining and in related propylitic, argillic and silicic alteration of the intrusives in the vicinity.

Epithermal gold potential in the eastern part of the license area is associated with Pliocene to Recent high level hydrothermal activity on ring fractures and major faults developed in upper Miocene to Pliocene subacrial volcanics with marine calcareous interbeds and younger fresh-water laid derivatives. Argillically altered and silicified float with some anomalous gold values indicate leakages to surface of the largely uneroded hydrothermal systems and highlight the gold potential which may exist at shallow depth.



## Gazelle Peninsula

Application has been made to extend the term of EL 1121 held by Pima Mining (PNG) Pty Ltd. for a second term of 2 years over 1,151 square kilometres of the Gazelle Peninsula in East New Britain. Indo Pacific is performing an agreed work program, spending approximately \$75,000 to earn a 50% shareholding in Pima Mining (PNG). Thereafter, the Company will conduct on-going exploration and fund 50% of all costs thereof.

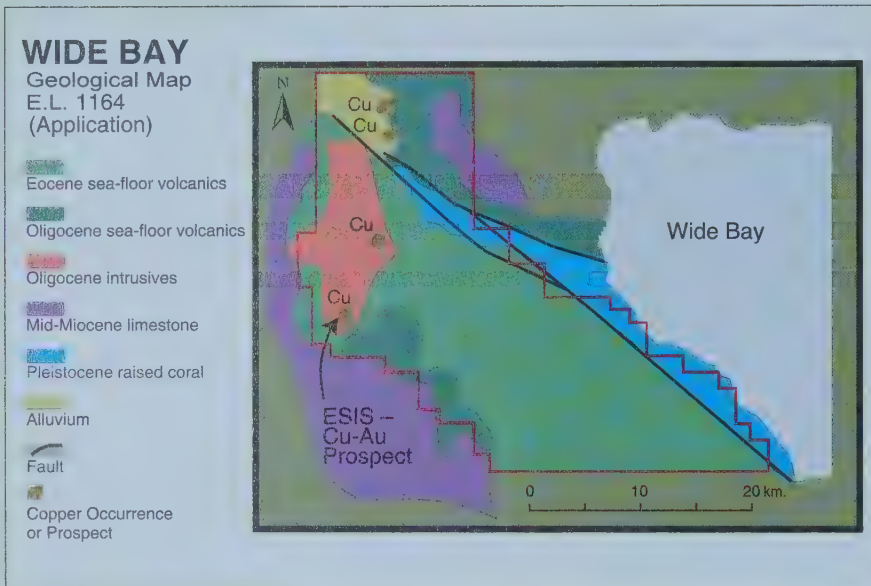
The intention is to test an area of copper with some related gold mineralization discovered and drilled by BHP in the early 1970's. The license area is largely underlain by upper Oligocene sea-floor volcanics and derived volcanogenic

sedimentary rocks extensively intruded by co-magmatic tonalites, diorites and related porphyries. Porphyry copper mineralization is associated with hydrothermally altered brecciated marginal phases of the intrusives and adjacent volcanic country rock.

The main mineralized target, the Esis Prospect, comprises an area strongly anomalous in copper 1,000 metres long by 100 to 150 metres wide located along a prominent ridge, underlain at depth by primary pyrite-chalcopyrite mineralization. Diamond drilling by BHP included four vertical holes, each to approximately 150 metres in depth, with results averaging from 0.16 to 0.39% copper with a significant cap of oxide

copper largely from 0.3 to 0.5% copper up to 30 metres deep and a secondary copper sulfide blanket largely from 0.35 to 0.7% copper up to 30 metres thick. Gold values up to 0.36 ppm were recorded in soils, but gold assays were only conducted on drill core with copper assays higher than 0.3%.

Several other copper prospects recorded by BHP are located in the application area.



### Wide Bay (Application)

Indo Pacific, through its 50% shareholding being earned in Pima Mining (PNG), will hold a 50% interest in ELI 164 applied for over 1,073 square kilometres in the southwestern hinterland of Wide Bay in East New Britain.





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## **Auditors Report**

### ***To the Shareholders of Indo Pacific Resources Ltd.***

We have audited the consolidated balance sheets of Indo Pacific Resources Ltd. as at December 31, 1995 and December 31, 1994 and the consolidated statements of loss and deficit and changes in financial position for the periods from January 1, 1995 to December 31, 1995 and April 22, 1992 to December 31, 1994. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material aspects, the financial position of the company as at December 31, 1994 and the results of its operations and the changes in its financial position for the periods from January 1, 1995 to December 1, 1995 and April 22, 1992 to December 31, 1994 in accordance with generally accepted accounting principles.

*Thompson & Thompson*

Chartered Accountants  
Calgary, Alberta  
April 15, 1996

## Consolidated Balance Sheet

As at December 31	1995 US \$	1994 US \$
<b>Assets</b>		
<b>Current Assets</b>		
Cash	69,255	7,397
Accounts receivable	2,160	502
Deposits	—	8,325
	<b>71,415</b>	<b>16,224</b>
<b>Capital Assets</b>	<b>15,818</b>	<b>5,030</b>
<b>Mining Properties (Note 3)</b>	<b>764,090</b>	<b>353,646</b>
	<b>851,323</b>	<b>374,900</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable (Note 5)	99,949	31,044
<b>Due to Shareholders</b>	<b>—</b>	<b>236,812</b>
	<b>99,949</b>	<b>267,856</b>
<b>Shareholders' Equity</b>		
<b>Capital Stock (Note 4)</b>	<b>1,083,768</b>	<b>130,000</b>
<b>Deficit</b>	<b>(332,394)</b>	<b>(22,956)</b>
	<b>751,374</b>	<b>107,044</b>
	<b>851,323</b>	<b>374,900</b>

Signed on behalf of the Board of Directors



Director



Director





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## Consolidated Statement of Loss and Deficit

*(With comparative amounts for the period from April 22, 1992 to December 31, 1994)*

	1995 US \$	1994 US \$
<i>For the Year Ended December 31, 1995</i>		
<b>Expenses</b>		
Financing and corporate structuring costs	129,886	—
General and administration	112,438	21,670
Professional	45,554	1,286
Investor communications	14,005	—
Transfer agent, company and listing fees	7,555	—
	<b>309,438</b>	<b>22,956</b>
<b>Loss for the Period</b>	<b>309,438</b>	<b>22,956</b>
<b>Deficit, Beginning of Period</b>	<b>22,956</b>	<b>—</b>
<b>Deficit, End of Period</b>	<b>332,394</b>	<b>22,956</b>
<b>Loss per Share</b>	<b>0.0369</b>	<b>.0095</b>



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## Consolidated Statement of Changes in Financial Position

(With comparative amounts for the period from April 22, 1992 to December 31, 1994)

For the Year Ended December 31, 1995	1995 US \$	1994 US \$
<b>Cash Provided by (Used for) Operating Activities</b>		
Loss for the Period	(309,438)	(22,956)
Changes in non-cash working capital balances		
Accounts receivable	(1,658)	—
Deposits	8,325	(8,325)
Accounts Payable	68,905	21,670
	(233,866)	(9,611)
<b>Financing Activities</b>		
Issuance of share capital	953,768	130,000
Repayment to shareholders	(236,812)	197,617
	716,956	327,617
<b>Investing Activities</b>		
Expenditures for mining leases	(410,444)	(305,579)
Purchase of capital assets	(10,788)	(5,030)
	(421,232)	(310,609)
<b>Increase in Cash</b>	<b>61,858</b>	<b>7,397</b>
<b>Cash, Beginning of Period</b>	<b>7,397</b>	<b>—</b>
<b>Cash, End of Period</b>	<b>69,255</b>	<b>7,397</b>





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## **Notes to the Consolidated Financial Statements**

*For the Year Ended December 31, 1995*

*(With comparative amounts for the period from April 22, 1992 to December 31, 1994)*

### **1. Basis of Presentation**

- a) Effective September 1995 Advance Sports Medicine Corporation acquired all of the outstanding common shares of Indo Pacific Mining (Barbados) Ltd. for consideration of 10,380,429 common shares of Advance Sports Medicine Corporation. The acquisition took place pursuant to a share exchange agreement dated August 23, 1995. As the former shareholders of Indo Pacific Mining (Barbados) Ltd. are the majority shareholders of Advance Sports Medicine Corporation, the transaction is treated for accounting purposes as a reverse takeover. In a reverse takeover transaction, the legal subsidiary, Indo Pacific Mining (Barbados) Ltd. is deemed to acquire the net assets of the legal parent Advance Sports Medicine Corporation. There was no value attributed to the assets of Advance Sports Medicine Corporation at the date of acquisition. Subsequent to the reverse takeover transaction, Advance Sports Medicine Corporation changed its name to Indo Pacific Resources Ltd.
- b) The consolidated financial statements reflect the transactions of the Company's 100% owned subsidiaries Indo Pacific Mining (Barbados) Ltd., Asia Pacific Mining Limited Liability Company and Abadin Pty Ltd. (now Indo Pacific Mining (PNG) Ltd.) acquired as a result of the reverse takeover transaction, from April 22, 1992 (date of commencement of operations) to December 31, 1995.
- c) All amounts reflected in these consolidated financial statements have been recorded in United States dollars unless otherwise indicated.
- d) These consolidated financial statements have been prepared on the basis of a going concern, which contemplates the realization of assets and discharge of liabilities in the normal course of business. The Company is in the process of exploring its mining properties and has not yet determined whether these properties contain reserves which are economically recoverable. The continuation of the Company as a going concern is dependent upon the discovery of economically recoverable reserves and the ability to obtain necessary financing to develop its mining properties (see Note 7 – Commitments and Note 8 – Subsequent Events).

## **2. Summary of Significant Accounting Policies**

### **a) Principles of Consolidation**

The consolidated financial statements include the financial statements of the Company and its 100% owned subsidiaries Indo Pacific (Barbados) Ltd., Asia Pacific Mining Limited Liability Company and Abadin Pty Ltd. and are prepared on the basis set out in Note 1.

### **b) Mining Claims**

The Company records its interest in mining properties at cost whereby all direct and indirect costs of acquiring, exploring for and developing mining properties are capitalized as separate areas of interest. When an area of interest is brought into production, the cost will be amortized using the unit-of-production method over the expected life of the license.

### **c) Capital Assets and Depreciation**

Capital assets are recorded at cost. Depreciation of these assets is provided using the diminishing value method so as to amortize their costs over their estimated useful lives. Details of the annual rate for depreciation are as follows:

Fixtures, fittings and equipment	15%
----------------------------------	-----

Additions will be depreciated from the month of acquisition.

### **d) Reclamation**

A provision for site restoration costs to comply with existing reclamation standards will be provided for over the estimated life of the Company's licenses using the unit-of-production method.

### **e) Per Share Information**

Per share computations are based upon the weighted average of common shares outstanding during the period.

### **f) Foreign Currency Translation**

Monetary assets and liabilities denominated in currencies other than the US dollar are translated at the exchange rate in effect at the balance sheet date. Non-monetary assets and liabilities are translated at the rates in effect at the dates the assets or liabilities were acquired. Expense items are translated at the average rates of exchange during the month in which they are recognized.



### 3. Mining Properties

<i>For the Year Ended December 31</i>	<b>1995 US \$</b>	<b>1994 US \$</b>
Administration and license fee	<b>764,090</b>	<b>353,646</b>

All of the Company's exploration activities are carried out in Papua, New Guinea.

Exploration licenses over the following tenements were granted on May 30, 1994:

ELI084, ELI086, ELI088, ELI107, ELI108

### 4. Capital Stock

#### a) Authorized:

Unlimited number of common shares without par value

#### b) Issued:

	Number of Shares	Consideration US \$
Share transactions of Indo Pacific Mining (Barbados) Ltd. prior to the reverse takeover transaction		
Issued for cash	130,000	130,000
Balance, December 31, 1994	130,000	130,000
Issued on capitalization of debt	236,810	236,810
	366,810	366,810
Converted pursuant to share-for-share exchange (Note 4c)	6,805,000	366,810
Issued for cash (Note 5b)	1,000,000	74,415
Issued for cash (Note 5c)	2,421,429	630,675
Issued for services (Note 5c)	154,000	40,110
	10,380,429	1,112,010
Less share subscription receivable	—	(28,242)
	10,380,429	1,083,768
Share transaction of Indo Pacific Resources Ltd. to give effect to reverse takeover transaction		
Shares issued prior to reverse takeover transaction	1,145,000	
Issued on a share for share exchange to effect reverse takeover (Note 4c)	10,380,429	1,083,768
Balance, December 31, 1995	11,525,429	1,083,768

- c. Effective April 30, 1995 Indo Pacific Mining (Barbados) Ltd. (IPMBL) acquired control of Asia Pacific Mining Limited Liability Company (APMLLC) and its 100% owned subsidiary Abadin Pty Ltd. The acquisition took place pursuant to a share for share exchange agreement whereby all of the outstanding common shares of APMLLC were acquired for consideration of 6,805,000 common shares of IPMBL.

On August 25, 1995 Indo Pacific Resources Ltd. issued 10,380,429 common shares in exchange for 10,380,429 common shares of IPMBL. As a result of this transaction, the number of common shares outstanding represents those of the legal parent, while the stated capital assigned to those shares is that of the legal subsidiary. (See Note 1a)

Of the 10,380,429 common shares issued, 5,800,000 are subject to an escrow agreement among the escrowed shareholders, the Corporation and a trust company whereby certain conditions imposed by The Alberta Stock Exchange must be met for the subject shares to be released.

The legal stated capital of Indo Pacific Resources Ltd. at December 31, 1995 is Cdn \$4,173,6000.

#### **d) Stock Options**

The Company granted stock options to officers and directors to purchase 1,150,000 common shares at Cdn \$0.35. The stock options are exercisable up to and including June 30, 2000.

### **5. Related Party Transactions**

During the period from January 1 to December 31, 1995 the Company had the following transactions with related parties:

- a) Of the 6,805,000 shares issued by Indo Pacific Mining (Barbados) Ltd. on the reverse takeover transaction described in Note 4(c), 4,805,000 were controlled by directors of the Company or its subsidiaries or trusts discretionary beneficiaries of which included such directors, officers or members of their immediate families.
- b) On August 25, 1995 the Company completed a private placement of 1,000,000 shares at an issue price of Cdn \$.10 of which 5,000 shares were issued to an officer of the Company.
- c) On August 25, 1995 the Company completed a private placement of 2,575,429 shares at an issue price of Cdn \$.35 of which 100,000 shares were issued to a director and an officer of the Company.





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- d) During the period the Company was charged consulting fees of \$97,300 (December 31, 1994 – \$7,714) by a company controlled by a director and consulting fees of \$8,925 (December 31, 1994 – nil) by a director.
- e) Legal fees of \$45,671 incurred by the Company were from a legal firm of which an officer is an associate. Included in the accounts payable at December 31, 1995 is \$45,671 owing to the legal firm.

#### **6. Commitment**

Pursuant to the terms of the exploration licenses referred to in Note 3, the Company is required to commit further minimum expenditures of approximately \$175,000 prior to May 29, 1996.

#### **7. Subsequent Events**

Pursuant to a private placement offering memoranda, the Company issued 2,000,000 Series A, 2,000,000 Series B and 140,000 Series C special warrants subsequent to December 31, 1995. Net proceeds to the Company from the sale of these special warrants are Cdn \$5,005,000 after deducting commissions and estimated offering costs of Cdn \$495,000. Each Series A special warrant is exchangeable at no cost for one common Share and one-half of a Common Share purchase warrant; each Series C special warrant is exchangeable at no cost for one Common Share purchase warrant. Common Share purchase warrants entitle the holder to purchase one Common Share at a price of Cdn \$2.00. The special warrants are exchangeable as described at any time up to the earlier of five days from the final approval of a prospectus qualifying the distribution of the Common Shares and Common Share warrants issuable in exchange for the special warrants and July 16, 1996.



**Indo  
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## **Corporate and Shareholder Information**

### **Officers and Directors**

R. Peter Macnab, B.Sc. (Geol.)  
*President, Director*  
Papua New Guinea

Neil Dakin, L.L.B.  
*Chairman, Director*  
Waverton, New South Wales,  
Australia

Bruce A. Macdonald  
*Director*  
Calgary, Alberta, Canada

R. Bruce Allford  
*Director*  
Calgary, Alberta, Canada

### **Shares Listed**

Alberta Stock Exchange  
Symbol: IPF

### **Capitalization**

Authorized – unlimited common  
Issued – 15,525,429 as at  
September 15, 1996

### **Auditors**

Thompson and Thompson,  
*Chartered Accountants*  
9608 Palisan Way S.W.  
Calgary, Alberta, Canada T2V 3S9

### **Bankers**

Main Branch  
Royal Bank of Canada  
Calgary, Alberta, Canada

### **Legal Counsel**

Burnet, Duckworth & Palmer  
1400, 350 – 7th Avenue S.W.  
Calgary, Alberta, Canada T2P 3N9

### **Financial Advisors**

Clarity Capital Ltd.  
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Hamilton, Bermuda  
HM GX

### **Head Office**

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President

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Director

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